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SUBJECT: DEPUTY SECRETARY LEW AND KARZAI ACKNOWLEDGE
SECURITY CHALLENGES IN PAKISTAN, DISCUSS IMPLEMENTATION OF
U.S. STRATEGY.

Classified By: Political Counselor Alan Yu for reasons 1.4 (b) and (d)

¶1. (C) In his April 2 meeting with D/S Lew, Karzai reaffirmed his confidence that President Zardari's view on the insurgency problem was in line with Afghanistan's, but continued to express distrust of the motivations of the Pakistan army and ISI. Karzai pledged to cooperate with the U.S. to improve oversight and efficiencies of our assistance activities in Afghanistan. He directed Chief of Staff Daudzai to work with the Charge d'Affaires to make progress on securing land to permit the Embassy to expand.

¶2. (U) Deputy Secretary of State for Management and Resources Jacob Lew met with President Karzai in Kabul, April 2. Lew was accompanied by newly-arrived Charge Frank Ricciardone, DCM Chris Dell, USAID Head of the Afghanistan/Pakistan Task Force Jim Bever, and Chief of Staff Piper Campbell.

Pakistan - Extremist threat to Afghanistan and Pakistan

¶3. (C) Karzai opened with a positive assessment of the just-completed April 1 Afghanistan-Pakistan-Turkey trilateral in Ankara. Karzai characterized Zardari's views as being in line with Afghanistan, while Army Chief Kayani and ISI Director General Pasha exhibited very tense behavior. Zardari declared that extremism was a problem in Pakistan. Karzai believed Pakistan's army and ISI recognized Pakistan could be in danger, but they were still in the gear of supporting the Taliban and extremism.

¶4. (SBU) Deputy Secretary Lew noted that the journey ahead would be significant: to work on Pakistan and in Afghanistan in order to address the challenges faced by both countries. The Deputy shared a few observations from his Islamabad meetings: the enormous potential of the Pakistani people; the need to create jobs for a rapidly growing population, and a pre-occupation with Pakistan-India relations. It was very clear to him, however, that the Lahore attack had focused government attention. Karzai opined that this was a Pakistani recognition of the danger of allowing extremists to operate; Pakistan does not need to shift resources but needs to change its philosophy away from supporting extremism.

¶5. (C) Karzai noted Baitullah Mehsud's recent threat to carry attacks to the United States. Karzai suggested that Mehsud may have been angered by an announced bounty, or about the results of the strategic review. Karzai concluded, however, that the most important thing was for the Government of Pakistan to find ways to stop extremists from operating across their border - and for the U.S. to push on that.

US assistance to Afghanistan

¶6. (C) As he had in his March 31 meeting with Secretary

Clinton, Karzai raised the idea of a U.S.-Afghan working group. He suggested there could be subgroups to focus on military issues, reconstruction, and delivery of assistance. Karzai asked about newspaper articles detailing a UN investigation against ex-officials from UNOPS. He said the organization was "known for years to be corrupt" and asked how much U.S. money had been lost. USAID Deputy Assistant Administrator Bever assured Karzai that a full investigation was being conducted and criminal proceedings launched. Lew used this example to stress the new Administration's careful attention to how contractors are used, noting that oversight is key. He said the USG and Afghanistan could not sustain a situation where such stories created the impression among our publics that corruption was not addressed seriously and immediately.

¶7. (SBU) Lew noted that the U.S. Special Inspector General (SIGAR) would deploy additional staff to Afghanistan. The Department did not view its relationship with SIGAR as adversarial, as all parts of the USG want to do assistance right. Karzai pledged to take full responsibility on the Afghan side, noting that Afghanistan has benefitted tremendously from reconstruction. Karzai also suggested someone should look into World Food Program activities in Afghanistan, citing rumors of bad wheat distribution.

Embassy land acquisition

¶8. (SBU) The Deputy Secretary told Karzai that as the Embassy's planned expansion proceeded, we would need to bring in the right people quickly. The embassy compound was constrained for space and the Embassy needed to acquire

land. Karzai told Lew that Ambassador Wood had spoken to him before and that Karzai had instructed the Defense Ministry to follow his (Karzai's) agreement. The Defense Ministry did not want to provide all the land, to which Karzai had heard the Embassy agreed. (NOTE: The Embassy had not agreed).

¶9. (SBU) Karzai added that the Government would give the Embassy the entire adjoining Health Ministry land. Karzai concurred with a proposal to move the Ministry out of town to a new building, with the USG constructing the new site as part of a health capacity building project. Karzai urged that the U.S. support an attractive, modern design but opined that the project would be faster and less expensive if built by Afghan contractors. Karzai asked Palace Chief of Staff Daudzai to follow up, and told Ambassador Ricciardone to work with Daudzai to help acquire the land the Embassy wanted. Karzai stated it would be in Afghanistan's interest.
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